



Fred. Olsen Energy ASA

Report for the 4th quarter 2015 and preliminary results for 2015

Figures in USD

FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF 142 MILLION FOR THE 4TH QUARTER 2015 AND EBITDA OF 637 MILLION FOR THE YEAR 2015

HIGHLIGHTS FOR THE QUARTER

- Revenues were 265 million
- EBITDA were 142 million
- Impairment of 158 million
- Operating profit (EBIT) was negative 103 million
- Profit before tax was negative 123 million
- Earnings per share were negative 1.72

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Figures in USD

FINANCIAL INFORMATION (*3rd quarter 2015 in brackets*)

Operating revenues in the quarter were 265.2 million (241.4 million). Revenues within the offshore drilling division increased by 19.7 million, mainly due to booking of termination fee for Belford Dolphin and less downtime for Byford Dolphin in the quarter. The increase is partly offset by 56 days downtime for Blackford Dolphin due to subsea equipment failure and waiting on weather. Blackford Dolphin have had additional 18 days on off-hire in January. Revenues within the engineering and fabrication division were 5.5 million.

Operating revenues for the year 2015 were 1,116.4 million.

Operating costs were 123.7 million (111.8 million), an increase of 11.9 million compared with previous quarter. Operating costs within the offshore drilling division increased by 11.9 million. The cost increase is mainly increased cost in connection with the preservation of Belford Dolphin and write-off of inventory for Borgny Dolphin. Operating costs within the engineering and fabrication division were 2.6 million (1.2 million), of which 0.3 million (1.1 million) were related to intra-group activities.

Operating costs for the year were 479.4 million.

Operating profit before depreciation (EBITDA) was 141.5 million (129.6 million). EBITDA for the year were 637.0 million.

Depreciation and impairment amounted to 244.2 million (113.6 million), including a non-cash impairment charge of 158.0 million (31.0 million) including an impairment of 91 million in connection with the cancellation of Bollsta Dolphin. For the year 2015 depreciation and impairment amounted to 962.0 million, including a non-cash impairment charge of 607.9 million.

Operating profit after depreciation (EBIT) was negative 102.7 million (16 million). Operating profit (EBIT) for the year was negative 325.0 million.

Net financial items were negative 19.8 million (6.3 million). Net financial items for the year were negative 23.0 million.

Profit before tax was negative 122.5 million (22.3 million). Profit before tax for the year was negative 348.0 million.

Net profit, including an estimated tax credit of 8.3 million (0.9 million), was negative 114.2 million (21.4 million). Net profit after tax for the year was negative 350.6 million.

Basic earnings per share were negative 1.72 (0.32). For the year 2015 basic earnings per share were negative 5.30.

POST QUARTER EVENTS - Bollsta arbitration process

The disputes between HHI and Bollsta are subject to arbitral proceedings. In February Bollsta received HHI's quantification of their additional claim that Bollsta was not entitled to cancel the newbuilding contract. As previously notified, HHI had raised a claim for additional payment and time prior to Bollsta cancelling the contract. Under their claim that Bollsta was not entitled to cancel the contract HHI are seeking damages of about MUS\$ 178 in addition to claiming entitlement to retaining the first instalment. An alternative claim of MUS\$ 38 was also submitted by HHI in case their primary claim should fail. Bollsta and FOE consider each of these claims to be without any merit.

Figures in USD

OPERATIONS

Drilling Division

The offshore fleet of Fred. Olsen Energy ASA with subsidiaries (the Group) consists of three ultra-deepwater/deepwater units, five mid-water semi-submersible drilling rigs, one tender support vessel and one accommodation unit. Three of the semi-submersible drilling rigs are located in Norway.

Norway

Bideford Dolphin continued operations under a three-year drilling contract for Statoil ASA. The contract expires in January 2017. The unit completed its five-year Class Renewal Survey (CRS) in 2015. In the beginning of February the helideck of the unit was damaged during the storm "Tor". The unit is currently inshore for repair of the damages. The yard-stay is estimated to be completed early March.

Borgland Dolphin continued operations under the 18 well drilling contract with a Rig Management Norway AS (RMN) managed consortium of four oil companies. The unit is currently inshore due to lack of drilling program for the client. The unit is estimated to be back in operation in April. The unit completed its five-year CRS in 2015.

Bredford Dolphin completed its operations under a drilling program for an AGR coordinated group of four oil companies, in the beginning of January. The rig is currently cold-stacked in Kvinesdal, Norway. The unit undertook its five-year CRS in 2012.

International

The ultra-deepwater drillship Bolette Dolphin continued drilling under its four-year drilling contract with Anadarko Petroleum Corporation. The contract expires in May 2018. The unit is currently drilling offshore Ivory Coast.

Belford Dolphin has completed its five-year CRS and has undergone a preservation program. The unit is currently located in Labuan, Malaysia, and is marketed for new contract possibilities worldwide.

Blackford Dolphin continued under a 572 days contract for Chevron, for operations in UK. The contract expires January 2017. The unit completed its five-year CRS in 2014.

Byford Dolphin continued under a three-year drilling contract with BP. The contract is estimated to expire 3rd quarter 2016. The unit completed its five-year CRS in 2015.

Borgsten Dolphin continued operations under the contract as Tender Support Vessel (TSV) at the Dunbar platform with Total E&P UK Ltd. In June 2015, the contract was amended and revised from October 2015 to January 2018, subject to certain early termination rights from end 2016. The unit completed its five-year CRS and upgrades to a TSV in February 2013.

Borgholm Dolphin is cold stacked at Harland & Wolff shipyard. The unit completed its five-year CRS in March 2013.

Borgny Dolphin is cold stacked at the Harland & Wolff shipyard in Belfast.

Figures in USD

Engineering and Fabrication

The Harland & Wolff shipyard continued its core activities within engineering, ship repair and shipbuilding. Main activities at the yard during the quarter has been several dockings and a repair of the LNG tanker Al Oraig in the main dock.

Oslo, 15th February 2016

The Board of Directors

Fred. Olsen Energy ASA



Fred. Olsen Energy ASA

Condensed Consolidated Financial Statements

GROUP INCOME STATEMENT

Unaudited

(USD mill)	Note	4Q 2015	3Q 2015	4Q 2014	Year 2015	Year 2014
Operating revenues		257,9	235,1	286,4	1 085,6	1 112,4
Recharged income		7,3	6,3	11,2	30,8	71,7
Total revenues		265,2	241,4	297,6	1 116,4	1 184,1
Operating costs		(116,3)	(105,7)	(129,6)	(449,0)	(597,4)
Recharged expenses		(7,4)	(6,1)	(10,9)	(30,4)	(70,5)
Total operating expenses		(123,7)	(111,8)	(140,5)	(479,4)	(667,9)
Oper. profit before depr. (EBITDA)		141,5	129,6	157,1	637,0	516,2
Depreciation and amortisation	6	(86,2)	(82,6)	(86,6)	(354,1)	(329,4)
Impairment		(158,0)	(31,0)	-	(607,9)	(42,7)
Operating (loss)/profit (EBIT)		(102,7)	16,0	70,5	(325,0)	144,1
Net financial (expense)/income	8	(19,8)	6,3	33,7	(23,0)	4,5
(Loss)/profit before income taxes		(122,5)	22,3	104,2	(348,0)	148,6
Income tax expense		8,3	(0,9)	(8,6)	(2,6)	(30,3)
(Loss)/Profit for the period		(114,2)	21,4	95,6	(350,6)	118,3
Attributable to:						
Shareholders		(114,3)	21,5	95,5	(350,9)	117,3
Non-controlling interests		0,1	(0,1)	0,1	0,3	1,0
(Loss)/Profit for the period		(114,2)	21,4	95,6	(350,6)	118,3
<i>EPS :</i>						
Basic earnings per share		-1,72	0,32	1,44	-5,30	1,77
Diluted earnings per share		-1,72	0,32	1,44	-5,30	1,77
Outstanding shares						
Average number of ordinary shares, basic		66,3	66,3	66,3	66,3	66,3
Average number of ordinary shares, diluted		66,3	66,3	66,3	66,3	66,3

GROUP STATEMENT OF COMPREHENSIVE INCOME

Unaudited

	4Q 2015	3Q 2015	4Q 2014	Year 2015	Year 2014
(Loss)/Profit for the period	(114,2)	21,4	95,6	(350,6)	118,3
Actuarial gains/(losses) on defined benefit pension plans	20,8	-	(19,2)	20,8	(19,2)
Income tax relating to components of other comprehensive income	(7,2)	-	2,6	(7,2)	2,6
Exchange differences on translation of foreign operations	(2,5)	(2,1)	(5,5)	(5,4)	(8,1)
Total comprehensive income/(loss) for the period	(103,1)	19,3	73,5	(342,4)	93,6
Attributable to:					
Shareholders	(103,4)	19,4	74,6	(342,8)	93,8
Non-controlling interests	0,3	(0,1)	(1,1)	0,4	(0,2)
Total comprehensive income/(loss) for the period	(103,1)	19,3	73,5	(342,4)	93,6



Fred. Olsen Energy ASA

Condensed Consolidated Financial Statements

STATEMENT OF FINANCIAL POSITION

Unaudited

(USD mill)

		31 Dec 15	30 Sep 15	31 Dec 14
Intangible assets		11,2	11,6	13,3
Property, plant & equipment	6	1 862,4	2 702,2	2 901,6
Other non-current assets		22,9	30,3	31,4
Total non-current assets		1 896,5	2 744,1	2 946,3
Inventories		120,0	125,2	115,2
Trade and other receivables		135,1	124,8	172,6
Other current assets		207,7	34,4	31,1
Cash and cash equivalents		214,1	209,5	203,4
Total current assets		676,9	493,9	522,3
Total assets		2 573,4	3 238,0	3 468,6
Share capital		193,3	193,3	193,3
Other equity		772,2	875,3	1 114,6
Non-controlling interests		-	-	-
Total Equity		965,5	1 068,6	1 307,9
Non-current interest-bearing loans and borrowings	5	1 002,1	1 056,0	1 359,9
Other non-current liabilities		100,3	123,7	139,0
Total non-current liabilities		1 102,4	1 179,7	1 498,9
Current interest-bearing loans and borrowings	5	325,7	355,6	95,5
Other current liabilities	6	179,8	634,1	566,3
Total current liabilities		505,5	989,7	661,8
Total equity and liabilities		2 573,4	3 238,0	3 468,6

GROUP STATEMENT OF CHANGES IN EQUITY

Unaudited

(USD mill)

	Share capital	Share premium	Translation reserves	Reserve for own shares	Retained earnings	Total	Non-contr. interests	Total equity
Year 2014								
Balance at 1 January 2014	193,3	83,5	15,0	(1,2)	1 146,3	1 436,9	-	1 436,9
Total comprehensive income	-	-	(8,1)	-	101,7	93,6	-	93,6
Dividend	-	-	-	-	(222,6)	(222,6)	-	(222,6)
Balance at 31 Dec 2014	193,3	83,5	6,9	(1,2)	1 025,4	1 307,9	-	1 307,9
Year 2015								
Total comprehensive income	-	-	(5,4)	-	(337,0)	(342,4)	-	(342,4)
Balance at 31 Dec 2015	193,3	83,5	1,5	(1,2)	688,4	965,5	-	965,5



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CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited (USD mill)	Note	Year 2015	Year 2014
Cash flows from operating activities			
Profit before income tax		(348,0)	148,6
<i>Adjustment for:</i>			
Depreciation, amortisation and impairment		962,0	372,1
Interest expense		40,6	41,6
Gain/(loss) on sales of fixed assets		(0,2)	0,2
Changes in working capital		36,3	(27,4)
Unrealised loss/(gain) financial instruments/debt		(44,2)	(67,0)
Cash generated from operations		646,5	468,1
Interest paid		(46,9)	(44,2)
Taxes paid		(19,5)	(29,1)
Net cash from operating activities		580,1	394,8
Cash flows from investing activities			
Net investment in fixed assets		(474,3)	(941,0)
Proceeds from sale of equipment		0,2	0,3
Net cash used to investing activities		(474,1)	(940,7)
Cash flows from financing activities			
Borrowing of interest bearing debt		130,0	1 933,6
Repayments of interest bearing debt	5	(219,9)	(1 183,2)
Dividend paid		-	(222,6)
Net cash from financing activities		(89,9)	527,8
Foreign currency		(5,4)	(0,6)
Net change in cash and cash equivalents		16,1	(18,1)
Cash and cash equivalents at the beg. of period		203,4	222,1
Cash and cash equiv. at the end of period		214,1	203,4



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Notes

1. Segment information

(USD mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
4Q 2015				
Revenues from external customers	260,0	5,2	-	265,2
Inter-segment revenues	-	0,3	(0,3)	-
Total revenues	260,0	5,5	(0,3)	265,2
Operating costs	(121,4)	(2,6)	0,3	(123,7)
Oper. profit before depr. (EBITDA)	138,6	2,9	-	141,5
Depreciation and amortisation	(84,7)	(1,5)	-	(86,2)
Impairment	(158,0)	-	-	(158,0)
Operating (loss)/profit (EBIT)	(104,1)	1,4	-	(102,7)
3Q 2015				
Revenues from external customers	240,3	1,1	-	241,4
Inter-segment revenues	-	(1,1)	1,1	-
Total revenues	240,3	-	1,1	241,4
Operating costs	(109,5)	(1,2)	(1,1)	(111,8)
Oper. profit before depr. (EBITDA)	130,8	(1,2)	-	129,6
Depreciation and amortisation	(82,0)	(0,6)	-	(82,6)
Impairment	(31,0)	-	-	(31,0)
Operating (loss)/profit (EBIT)	17,8	(1,8)	-	16,0
4Q 2014				
Revenues from external customers	294,5	3,1	-	297,6
Inter-segment revenues	-	3,0	(3,0)	-
Total revenues	294,5	6,1	(3,0)	297,6
Operating costs	(139,0)	(4,4)	2,9	(140,5)
Oper. profit before depr. (EBITDA)	155,5	1,7	(0,1)	157,1
Depreciation and amortisation	(86,0)	(0,6)	-	(86,6)
Impairment	-	-	-	-
Operating (loss)/profit (EBIT)	69,5	1,1	(0,1)	70,5
Year 2015				
Revenues from external customers	1 103,8	12,6	-	1 116,4
Inter-segment revenues	-	89,1	(89,1)	-
Total revenues	1 103,8	101,7	(89,1)	1 116,4
Operating costs	(470,2)	(95,4)	86,2	(479,4)
Oper. profit before depr. (EBITDA)	633,6	6,3	(2,9)	637,0
Depreciation and amortisation	(350,8)	(3,3)	-	(354,1)
Impairment	(607,9)	-	-	(607,9)
Operating (loss)/profit (EBIT)	(325,1)	3,0	(2,9)	(325,0)
Year 2014				
Revenues from external customers	1 158,1	26,0	-	1 184,1
Inter-segment revenues	-	65,8	(65,8)	-
Total revenues	1 158,1	91,8	(65,8)	1 184,1
Operating costs	(637,5)	(77,0)	46,6	(667,9)
Oper. profit before depr. (EBITDA)	520,6	14,8	(19,2)	516,2
Depreciation and amortisation	(327,1)	(2,3)	-	(329,4)
Impairment	(42,7)	-	-	(42,7)
Operating (loss)/profit (EBIT)	150,8	12,5	(19,2)	144,1



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(USD mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
31 Dec 15				
Segment assets	2 520,2	53,5	(0,3)	2 573,4
Segment liabilities	1 554,4	53,8	(0,3)	1 607,9
31 Dec 14				
Segment assets	3 405,7	65,7	(2,8)	3 468,6
Segment liabilities	2 092,6	70,9	(2,8)	2 160,7

* Includes Fred. Olsen Energy ASA

2. Introduction

The consolidated interim financial statements for 4th Quarter 2015 ended 31 December 2015, comprise Fred. Olsen Energy ASA and its subsidiaries (together referred to as the "Group").

These consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2014.

The consolidated financial statements of the Group for the year ended 31 December 2014 are available upon request from the Company's office in Oslo or at www.fredolsen-energy.com.

The Board of Directors approved these consolidated interim financial statements on 15th February 2016.

3. Significant accounting policies

The main accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2014.

4. Estimates

The preparations of interim financial statements require use of estimates, judgments and assumptions that may affect the use of accounting principles and recognized assets, liabilities, income and expenses. The resulting accounting estimates may differ from the eventual outcome.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts are the same as described in the annual report for the year 2014.

5. Interest-bearing loans and borrowings

As per December 2015 the Group has repaid USD 195 million and drawn USD 130 million of the fleet facility during the year. Available lines under the long-term fleet facility were USD 270 million as per 31 December 2015. The Group has purchased NOK 213 million in its bond loan FOE04. The net outstanding after the purchases is NOK 1 187 million as per 31 December 2015.



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6. Property, plant and equipment

(USD mill)	Rigs and drillship	Machinery and equipment	Plant, building and land	Total
Cost				
Balance at 1 January 2015	4 552,8	95,6	23,4	4 671,8
Acquisitions	398,6	3,7	0,6	402,9
Disposals	(345,1)	(1,5)	0,0	(346,6)
Reclassification	(477,6)	1,4	(1,4)	(477,6)
Movements in foreign currency	0,0	(6,2)	(1,3)	(7,5)
Balance at 31 Dec 2015	4 128,7	93,0	21,3	4 243,0
Depreciation				
Balance at 1 January 2015	1 688,1	71,4	10,7	1 770,2
Depreciation	346,6	5,8	1,7	354,1
Impairment	607,9	0,0	0,0	607,9
Disposals	(345,0)	(1,5)	0,0	(346,5)
Reclassification	0,0	1,6	(1,6)	0,0
Movements in foreign currency	0,0	(4,4)	(0,7)	(5,1)
Balance at 31 Dec 2015	2 297,6	72,9	10,1	2 380,6
Carrying amounts				
At 1 January 2015	2 864,7	24,2	12,7	2 901,6
At 31 Dec 2015	1 831,1	20,1	11,2	1 862,4

On 27th October, Bollsta Dolphin Pte Ltd decided to exercise its contractual right to terminate the construction contract. As a result of the termination, Bollsta Dolphin Pte Ltd has removed USD 477.6 million from the opening balance of Property, plant and equipment whereof the 1st instalment to HHI of USD 186 million is reported as “Other current assets” and the remainder has been offset against other accrued expenses. An impairment charge of USD 91.4 is also included.

On a quarterly basis, the Group assesses whether there is an indication that a Cash Generating Unit (CGU) may be impaired. We consider each individual unit to be a CGU, as defined in IAS 36.6, as each individual unit generates independent cash flows. One indicator of impairment we consider is if the net book value of a CGU is below the average market value provided from two independent brokers. Another indicator of impairment we consider is if the carrying amount of the net assets of the Group exceeds the Group’s market capitalisation. The Group estimates the recoverable amount for each CGU based on the value in use calculation by estimating the future expected cash inflows and outflows derived from continuing use of each CGU and applying the appropriate discount rate on the future cash flows.

As at Q4 2015, impairment tests of the Group’s fleet were undertaken. Due to the short-term market outlook continuing to deteriorate compared to previous assumptions for the unit Byford Dolphin, an additional impairment of USD 61 million has been recognised in Q4 2015. The net book value as per 31 December is USD 178 million for Byford Dolphin which represent the estimated recoverable amount. Borgny Dolphin has been impaired for further USD 5.6 million in Q4 2015 and the net book value is now zero. No further adjustments are made for the other units. The Group applied pre-tax discount rates in the range from 9.04% to 9.82% for the various units.



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The following impairments have been recorded in 2015:

	Year 2015
Blackford Dolphin	172,0
Bredford Dolphin	110,0
Byford Dolphin	98,0
Belford Dolphin	80,0
Borgholm Dolphin	41,0
Borgny Dolphin	15,5
Bollsta Dolphin	91,4
Total impairment	607,9

The Group's estimated recoverable amount includes a number of assumptions such as future performance of the units, future contract opportunities, availabilities and day rates. If the Group experience changes to any of the assumptions, the Group may be required to recognise additional impairment adjustments or reverse impairment to the assets.

7. Related parties

In the ordinary course of business, the Group recognises revenues and expenses with related companies. Related parties are (1) Ganger Rolf ASA and Bonheur ASA that are the owners of a combined 51.9% of the Group, (2) their subsidiaries and (3) Fred. Olsen & Co. The Group receives certain administrative, financial, and legal advisory services from Fred. Olsen & Co. There are no material changes since the financial statements for the year ended 31 December 2014.

8. Financial expenses/income

Unrealized foreign exchange gain of USD 10 million is included in Q4 and USD 52 million as per December 2015 which is mainly related to the NOK Bond loans.

The borrowing cost of USD 8 million related to the funding of Bollsta Dolphin has been expensed.

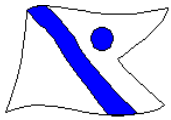
Unrealized loss on currency contracts of USD 6.8 million is included in Q4 2015 and USD 8.5 million for the year.

9. Subsequent events

Bideford Dolphin damaged the helideck due to bad weather in beginning of February 2016. The unit is currently inshore for repair of the damages. The yard-stay is estimated to be completed early March.

Reference is made to previous notice advising that Hyundai Heavy Industries Co.Ltd. ("HHI") had raised claims against Bollsta Dolphin Pte. Ltd. ("Bollsta"), a wholly owned subsidiary of Fred. Olsen Energy ASA ("FOE"), of about MUS\$ 167 under a contract for the design and construction of a semi-submersible drilling rig, as well as to a subsequent notice advising that Bollsta had cancelled the contract.

The disputes between HHI and Bollsta are subject to arbitral proceedings.



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As part of these proceedings, Bollsta has received HHI's quantification of their claim that Bollsta was not entitled to cancel the contract. In addition to claiming entitlement to the first instalment of USD 186 million, HHI claims an additional payment of about MUSD 178. An alternative claim of MUSD 38 has been submitted by HHI should their primary claim fail.

The contract was signed on 25 May 2012 and fabrication started in June 2013. By 31 March 2015, the rig should have been completed and delivered. Seven months thereafter with no realistic prospect of completion before May 2016 Bollsta cancelled the contract. Variations to the work were of minimal consequences to the yard.

Bollsta, together with FOE, remain firm that the cancellation was rightful, that Bollsta is entitled to a full repayment of the first instalment (of about USD 186 million) and that none of HHI's claims holds any merit; they will all be vigorously refuted.